

**DEERFIELD RECREATION COMMISSION  
DEERFIELD, KANSAS**

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**FINANCIAL STATEMENTS  
with  
INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED JUNE 30, 2012**

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**DEERFIELD RECREATION COMMISSION  
DEERFIELD, KANSAS**

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**INDEPENDENT AUDITOR'S REPORT**

Deerfield Recreation Commission  
Deerfield, Kansas

We have audited the accompanying financial statements of the Deerfield Recreation Commission, a component unit of Unified School District No. 216, as of and for the year ended June 30, 2012 as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the guidance in the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note A, the Deerfield Recreation Commission has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

Further in our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Deerfield Recreation Commission as of June 30, 2012, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balance of the Deerfield Recreation Commission, as of June 30, 2012, and its respective cash receipts, expenditures, and budgetary results for the year then ended on the basis of accounting described in Note A.

*Kennedy McKee & Company LLP*

January 29, 2013

**DEERFIELD RECREATION COMMISSION  
DEERFIELD, KANSAS**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH**

Year ended June 30, 2012

	<u>General fund</u>
Unencumbered cash, beginning of year	\$ 126,164
Cash receipts	221,018
Expenditures	<u>244,003</u>
Unencumbered cash, end of year	103,179
Add outstanding encumbrances and accounts payable	<u>113</u>
Cash balance, end of year	<u><u>\$ 103,292</u></u>
Composition of cash:	
Checking accounts	\$ 46,462
Savings account	5,887
Money market account	<u>50,943</u>
	<u><u>\$ 103,292</u></u>

The accompanying notes are an integral  
part of the financial statements.

**DEERFIELD RECREATION COMMISSION  
DEERFIELD, KANSAS**

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance favorable (unfavorable)</u>
Cash receipts:			
Appropriation from Unified			
School District No. 216	\$ 165,086	\$ 151,053	\$ 14,033
Park fund	10,000	10,000	-
Fitness Corner	3,866	5,000	(1,134)
Activity center	11,114	9,350	1,764
Pool	9,698	9,500	198
Deerfield Summer Celebration	14,094	9,000	5,094
Sales	55	-	55
Grant income	6,352	2,000	4,352
Interest	253	500	(247)
Miscellaneous	500	-	500
	<u>221,018</u>	<u>\$ 196,403</u>	<u>\$ 24,615</u>
Total cash receipts			
Expenditures:			
Fitness Corner	7,460	\$ 20,000	\$ 12,540
Activity center	17,926	-	(17,926)
Pool	55,822	65,000	9,178
Deerfield Summer Celebration	10,012	9,000	(1,012)
Administration	49,212	65,000	15,788
Programs	35,698	64,000	28,302
Instructors	1,807	5,000	3,193
Operations	11,576	15,000	3,424
Transportation	4,759	12,000	7,241
Outside programs	709	5,000	4,291
Capital outlay	26,591	23,500	(3,091)
Employee benefits	22,431	29,000	6,569
Miscellaneous	-	10,211	10,211
	<u>244,003</u>	<u>\$ 322,711</u>	<u>\$ 78,708</u>
Total expenditures			
Receipts over (under) expenditures	(22,985)		
Unencumbered cash, beginning of year	126,164	<u>\$ 126,308</u>	<u>\$ (144)</u>
Unencumbered cash, end of year	<u>\$ 103,179</u>		

The accompanying notes are an integral part of the financial statements.

**DEERFIELD RECREATION COMMISSION  
DEERFIELD, KANSAS**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of significant accounting policies applied in the preparation of the accompanying financial statements is presented to assist the reader in understanding the Deerfield Recreation Commission's financial statements, which are presented in conformity with the cash basis and budget laws of the State of Kansas. The financial statements and notes are the representation of the Commission's management, which is responsible for their integrity and objectivity.

**1. Component unit**

The Deerfield Recreation Commission is a component unit of Unified School District No. 216. Four of the five members of the governing board are appointed by the Board of Education. The Commission operates as a separate governing body but the District levies the taxes for the Commission and the Commission has only the powers granted by statute, K.S.A. 12-1928.

**2. Fund accounting**

In governmental accounting, a fund is designated as a sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations and constituting an independent fiscal and accounting entity. A general fund is used to account for all financial transactions of the Commission.

**3. Basis of accounting**

*Statutory Basis of Accounting.* The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Commission to use the statutory basis of accounting.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3. Basis of accounting (continued)

*Departure from Accounting Principles Generally Accepted in the United States of America.* The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Statements of net assets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balances are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences is not presented in the financial statements.

### 4. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for general funds, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding year on or before August 1st.
- b. Publication in a local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments during the current year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4. Budgetary information (continued)

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

### 5. Pension plan

Substantially all full-time employees are members of the State of Kansas Public Employees' Retirement System which is a cost-sharing multiple-employer state-wide pension plan. The Commission's policy is to fund all pension costs accrued; such costs to be funded are determined annually by the system's actuary.

### 6. Compensated absences

The Commission's policy grants the eligible employee 15 days of vacation per year and the employee is not allowed to carry over hours from year to year. The full-time employee will earn 1-1/2 days of personal/sick leave per month. Upon separation, neither unused vacation nor personal/sick leave are paid out. The Commission's policy is to recognize the cost of compensated absences when actually paid.

## B. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds to have a main or branch bank in the county in which the Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks to provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

*Custodial credit risk - deposits.* Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Commission does not have a designated "peak period".

At year-end the Commission's carrying amount of deposits was \$103,292 and the bank balance was \$127,853, all of which was covered by FDIC insurance.



## C. DEFINED BENEFIT PENSION PLAN

*Plan description.* The Commission participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

*Funding policy.* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates at 4% of covered salary for Tier 1 employees (generally active members prior to July 1, 2009) and 6% for Tier 2 employees (generally active members on or after July 1, 2009). The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for July 1 through December 31, 2011 was 7.74% and 8.34% for January 1 through June 30, 2012. The Commission's employer contributions to KPERS for the years ending June 30, 2012, 2011 and 2010 were \$2,882; \$2,369; and \$2,004; respectively, equal to the required contributions for the year.

## D. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical needs of employees. The Commission purchases commercial insurance to cover health, property, liability, and workers' compensation claims. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in any of the past three years.

## E. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 29, 2013, the date on which the financial statements were available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in these financial statements.